

**Redevelopment Agency of the City of Fremont**  
**Adams Avenue Homes**  
November 2009  
**Subordination Policy for Lenders**

On occasion, the Redevelopment Agency of the City of Fremont will receive a request to subordinate its interest in a home at the Adams Avenue Homes subdivision. When a new mortgage loan (re-finance) is obtained, and the old mortgage loan is paid off, the Agency's interest in the property would move into first position on title, unless the Agency agreed to subordinate its interest to the new financing. Because most mortgage lenders refuse to make a loan with the most favorable terms unless their loan is in first position, the Agency will agree to subordinate its position on title to new financing if certain conditions are met, as described below:

1. A subordination request will not be considered unless the following requirements are met:
  - The proposed financing will result in a total debt against the property, including the Agency's silent-second mortgage, which does not exceed 90% of the Maximum Sales Price as calculated per Section 11 of the homeowner's Resale Restriction and Option to Purchase Agreement.
  - The new loan must have a fixed interest rate, with no balloon payments. The Monthly Housing Cost must not be greater than the Affordable Housing Cost.
  - The proposed financing will not result in negative amortization that could exceed the 90% debt-to-Maximum Sales Price ratio stated above. (Negative amortization occurs when the monthly payments on a loan are insufficient to pay the interest accruing on the principal balance. The unpaid interest is added to the remaining principal due, creating "negative amortization.")
2. You must work only with a primary or secondary contact person from the City's Approved Lender List. The loan consultant or escrow officer must provide the following documents to the Redevelopment Agency, along with a request for subordination:
  - An appraisal completed within the last 60 days
  - A preliminary title report completed within the last 30 days.
  - Documentation (preliminary loan commitment, loan application, etc.) describing the proposed financing to include:
    - The amount of the proposed loan
    - The interest rate
    - The term
    - The type of loan (only fixed rate loans allowed)
    - The current balance of all loans secured by the property

3. Subordination Fee: **\$250.00** paid by the borrower to the Agency's underwriter, AmeriNational Community Services. Personal checks will be held for ten days therefore, to expedite the underwriting process, please send **a money order or cashier's check**.
4. The average turn around time for subordination request is **15 business days**. Once the required documents and information have been received from the title company, the Redevelopment Agency's underwriting agent will review the documentation to determine that the subordination requirements are met.
5. If the Redevelopment Agency's underwriting agent determines that the request meets the Agency's debt-to Maximum Sales Price ratio and financing requirements, the subordination documents are prepared and forwarded to the Redevelopment Agency for signature approval. If the subordination request is not approved, the Agency's underwriting agent will notify the Agency and the title company and provide the reason for the denial.
6. Once the Redevelopment Agency receives the subordination document, it generally takes 3-5 business days to process for appropriate signatures. The Redevelopment Agency's staff will notify the title company when the subordination documents are ready to be picked up.

**The lender/title company should forward subordination requests along with the required documentation to:**

**May Lee, First Time Homebuyer Program  
City of Fremont, Office of Housing & Redevelopment  
39550 Liberty Street  
Fremont, CA 94538**